

The Cooperative Grangers of
Johnson County, Kansas: A
Study and Investigation of
the Practice and Workings of
Cooperation Among Farmers

by Robert Jackson Ray

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Co-Operative Grangers

OF
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“Origin of the Grange”

The Granger movement in the United States is characteristic in that it was organized from the top down. Its father, Mr. O. H. Kelly, moved from New England to Minnesota in his early manhood. In 1864 he was appointed a clerk in the United States Department of Agriculture. Just after the close of the war, in January, 1866, he was sent on a tour of the Southern States to secure statistics and observations on rural conditions in the South. While on this trip he conceived the idea of a secret society among farmers for the protection and advancement of their interests and as a method of overcoming the bitter sentiments of the North and the South.

As a result of this idea the “National Grange of the Patrons of Husbandry” was organized in Washington, D. C., on the fourth day of December, 1867. The six other men associated with Mr. Kelly in forming this organization were Mr. Wm. M. Ireland, of the Post Office Department; Messrs. Wm. Saunders and A. B. Grosh, of the Agricultural Department; Messrs. John Trimble and J. R. Thompson of the Treasury Department, and Mr. F. M. McDowell, a pomologist, of New York.*

The first charter issued to a regular subordinate Grange was to that of Fredonia, New York, which was organized on April 16, 1868. The first Grange in Kansas was the Hiawatha Grange, organized in April, 1872.** The movement grew rapidly and the first Granges in Johnson county originated in the late winter and early spring, after January, 1873.***

“The Johnson County Co-Operative Association****

Co-operation in Johnson County, Kansas, is not the result of the efforts of any one man alone. On the other hand a certain few individuals were prominent in its origin and have continued so in its history to the present time. The real origin of the Johnson County Association is in the Grange. Its growth has been the results of a process of socialization. These farmers, as all others, have the reputation of being, were in the beginning extremely individualistic, but the discussions in Grange meetings brought forth a wealth of information that developed into the proposal of positive plans. These were ultimately carried into execution by the unity of interest that the Grange developed.

*Article, “The Origin of the Grange,” in circular No. 3, issued by order of The National Grange.

**Daniel W. Wilder, “Annals of Kansas,” p. 617.

***Mr. George Black, Master of the Kansas State Grange, 1908, Olathe, Kansas.

****This study does not include the “Grange store” at Spring Hill, Johnson County, Kansas, because it is not one of the group of co-operative organizations centered at Olathe.

The idea of co-operation in Johnson county originated in the "Lone Elm Grange No. 152," during the year 1875. At this time Mr. J. D. Walker was its master and Mr. Geo. Black its Secretary. Their Grange hall is located on a corner of Mr. Black's farm, four miles south of Olathe. These farmers came to the conclusion that the merchants of Olathe were in a combination and were making too large a profit on the necessities of life. They first seriously proposed the remedy of patronizing Mail Order Houses. While this discussion was being carried along they received, that year, a report of a committee of the National Grange, recommending co-operation on the Rochdale plan as a remedy for the condition that they were in. The committee, recommended, however, that it should differ from the Rochdale plan in that only Grangers should be permitted to hold stock in the association.

A union meeting of the Grangers of Johnson County was called and held in the hall of Grange No. 118, at Olathe. Several meetings followed before the organization was formed.

The charter was secured June 24th, 1876 and, in the main, is as follows: To be known as the Johnson County Co-operative Association, No. 118, of the Patrons of Husbandry.* "Formed for the purpose of establishing and maintaining general trade in merchandise, farm products and machinery for the mutual benefit of the share-holders and customers." Terms of existence to be ninety-nine years. "The number of its directors shall be ten, viz: President, secretary and eight directors." The directors for the first year were Mr. J. D. Walker, President; Mr. George Black, Secretary; Messrs. George Collins, Charles Page, Henry Rhodes, A. Rudy, Thomas Rogers, J. C. Ferguson, George Lightfoot, F. Zegler,** all of whom were residents of Johnson County. The capital stock was not to exceed twenty-thousand dollars, and was to be raised in shares of five each.

After the charter was secured the next step was to get started. The Grangers were slow to take up with the idea. Three hundred and eighty-five dollars were finally secured by the sale of stock. The directors borrowed four hundred dollars for the Association on their own account. Finally nine hundred dollars were at hand, with which the store was opened. The stockholders at that time numbered eighty-one.

The first question that divided the association was that of the selection of a business manager. Several applications were made. Two factions immediately developed. First those south of town who supported one of their own number, and second, those north, who supported one of theirs. This was in truth a critical moment in the life of the association. Mr. Black came to the rescue by proposing that they employ someone who had neither friends nor enemies among the stockholders. Mr. Rogers referred to a clerk in a Grange store at Lawrence, with whom he had done some trading. The compromise was accepted and Mr. H. C. Livermore, then a tall, green and gawky young man, was secured.

The proposed store was much ridiculed. The stockholders even instructed the directors not to start the store in a building which they would be ashamed to enter; and to secure a stock of goods from which they would be willing to buy. Thus, backed by financial uncertainties, but reinforced by a faltering consciousness of social unity and a common interest, the Johnson County Co-operative Association opened business July 27th, 1876, in a small room, at the corner of Chestnut and Park streets, with a \$900 stock of groceries and with H. C. Livermore and one clerk to wait on the trade.

The merchants of Olathe immediately organized to put the "Granger store" out of business. Each agreed to sell some certain one or two commo-

*An amendment was made to the charter on August 8th, 1898, that article No. 1 of the charter be amended by striking out the words "No. 118 of the Patrons of Husbandry."

**Charter of the Association, June 24, 1876.

dities below cost and to continue that process as long as necessary. The Association was immediately placed in a very critical position. A certain Kansas City wholesale house heard of this and came to the Grangers with its support. The result was that all prices went down very low. But the association won in the end, because of the loyal support of all Grangers and of many other farmers. The fight was exactly what the store needed. Organized opposition, on the part of the Olathe merchants, developed a spirit of unity and of purpose among the Grangers of the county that made the early success of the Association certain.

The rules of the Association, adopted at the time of its organization, were those proposed by a committee of the National Grange after they had studied those of the Rochdale system of co-operation. The Association follows Rochdale exactly except, as was before mentioned, that stockholders must be Grangers of good standing. In the Rochdale system stock is open to the world. The rules have remained practically the same to the present time except as to the increase of capital stock.

The following distinctive features deserve special attention:

(1) Capital stock to be in shares of \$5.00 each and not to be transferable except to members of the order of Patrons of Husbandry in good standing.

(2) No member shall hold more than 200 shares.

(3) "The net profits of all business carried on by said association, after paying the expenses of management, making the proper reductions in value of fixed stock, and paying the interest on capital, therefor, as aforesaid, shall, from time to time, be applied by a vote of the Association, either to increase the capital of business of the Association or for any educational or provident purpose authorized by the Association and the remainder shall be divided among those who have purchased goods from the Association during the two preceding quarters (to non-members one-half the proportion of members) in proportion to the amount of purchases during these quarters."

(4) "Each member shall receive out of the surplus profits of the Association, after providing for the expenses thereof, in each quarter, interest* not exceeding 8 per cent per annum upon the capital standing to his credit in the books of the Association, as is declared at the semi-annual meetings of the Association."

(5) "The president, secretary, treasurer and one-half of the directors and one of the auditors** shall be elected at the semi-annual meeting in February and the remainder at the semi-annual meeting in August and shall hold their several offices for the term of one year. No member shall be eligible for office of president (after the first election) who has not been a director in the Association."

(6) "The business of the Association shall be conducted for cash. All patrons trading with the association shall be furnished with checks representing the amount of their purchases."

(7) "At a meeting of the Association or of the directors, each member shall have one vote only."***

The books of the store at the end of the first quarter showed sales amounting to \$4,657.87, gross receipts of \$516.67 and net profits to \$225.37. For the last quarter of the same year the sales amounted to \$13,644.31, gross profits \$968.72 and net profits to \$525.25. From the first the sales increased rapidly until at the end of the twenty-second quarter, or the middle of the sixth year, they amounted to \$64,793.75. By that time the store had about

*"Dividends on stock" is a better name, but "interest" has always been used, by the Association, in expressing the idea.

**There are two auditors.

***The above enumerated quotations are taken from the rules of the Association.

reached maturity in its development, at least when measured by the amount of its sales.*

The first expansion of the business into a department store was in the addition of a dry goods and ladies furnishings department. Within the first ten years the four departments as they exist today, of (1) groceries, (2) dry goods, (3) clothing, (4) hardware, were all established.

As the business grew its stock was increased. But the laws of Kansas do not permit an increase of the capital stock of an association to twice the amount of that designated by its charter. The stock of the Johnson County Association soon amounted to \$38,000, when on January 16th, 1882, an amendment was secured increasing the capital stock to \$40,000. A second amendment on July 10th, 1883, resolved "That article six be amended by increasing the amount of the authorized capital from \$40,000 to \$100,000, thereby increasing the capital \$60,000."**

"In the spring of 1884, by action of the Association, a printing department was established, which published the "Kansas Patron," a weekly newspaper devoted to the interests of the order of Patrons of Husbandry."*** It was soon chosen as the organ of the Kansas State Grange. It also continued to be a strong champion of the Johnson County Co-operative enterprises. Mr. Geo. Black continued as editor from 1884 to 1898.

"At the semi-annual meeting of the stockholders of the Association, held January 12th, 1880, an action was taken setting apart one-half of the net profits of the business of the Association to a surplus fund. This action was continued in force until the surplus fund reached \$28,000.00 when it was repealed."|| This is, as we will see later on, one of the strongest features of the enterprise, in that it places it upon a firm foundation.

Before the end of the first ten years the business had so developed that new quarters were necessary. A new three-story building, 118x120 feet was erected in 1886 on the east side of the public square, at a cost of \$40,000. The entire ground floor was used for the business of the Association. It was divided into four departments as named above and the stock of each was greatly enlarged. The second floor was devoted to business offices and the rooms occupied by the "Kansas Patron." The third floor contained a society hall for meetings of the Association and for public meetings, an opera house, the private hall of the Olathe Grange No. 118, and the hall of the Independent lodge, No. 4, of the Knights of Pythias. At the end of another twelve years more room was needed, so in 1898 the Grange store annex was built adjoining the store on the north. This was thirty-six feet wide, two stories high and harmonized with the older building in architecture.||| The upper floor was used for offices. In addition to the central store, located at Olathe, the Association had, by 1900, four branch stores located at Prairie Center, Gardner, Stanley and Edgerton. Each now carries a stock of goods of from \$6,000 to \$7,000, and the Association owns the buildings.

On Saturday evening, November 7th, 1903, the main building at Olathe caught fire, presumably from an overheated furnace and a large part of the whole stock of goods was destroyed. The next morning the directors met in the court house across the street and decided to continue the business. By the

*See tables of sales, gross and net earnings. Appendix 1.

**This is the result of a general state law permitting co-operative societies in Kansas to organize with a capital stock of \$100,000.00. (Statement by Black.)

***Article — "Co-operation in the Distribution of Supplies by the Johnson County Co-operative Association," written and published by Geo. Black, 1900.

||Article "Ditto," by Black, 1900.

|||Ibid.

following Tuesday they were selling goods in four different store buildings in various parts of the town.

It was then that the wise provision for a surplus fund was fully appreciated, for after the insurance was paid the net loss from the fire was about \$30,000. Or in other words, the surplus fund practically met the loss. The "Kansas Patron" was never continued after the fire. During its existence it was as successful as could be expected of such a "class" paper.

The store made no net profits during the last half of 1903, on account of the fire. All those of 1904 were carried to the surplus fund, 75 per cent of 1905, 50 per cent of 1906 and one-eighth of those of 1907. The policy of giving one-eighth to the surplus fund has been and will probably be continued.

A new building was completed on the old site in the summer of 1904 at a cost of \$26,000. It is two stories high and is 125 by 143 feet. All the lower part is in one large room, separated into sections for the different departments. The store has more floor space than formerly, but the number of offices in the building is less. The second floor has a hall for the Olathe Grange No. 118, a good society hall for the general meetings of the Co-operative Society and Grangers of the county and also several offices.

The number of stockholders in the Johnson County Association varies from 800 to 1,000, but averages about 900. As was said before, these are all Grangers. There are eighteen Granges in the county with a total membership of about 1,500. The largest Grange contains 366, and the smallest twenty-five members. It is among these that the stock of the Association is held, which sells at par, viz.: \$5.00 per share. Thus, it is interesting to note that the stock is not speculative, but is held by members of the Association because of the interest on the investment and the co-operative benefits to be secured.

In the early years it was the policy to pay 10 per cent of the net earnings as interest before dividends on purchases were made. This was later reduced to 8 per cent and again to 7 per cent, but 1 per cent is now turned into the surplus fund. The surplus fund has always been invested in the business. This policy has been strongly opposed by some on the grounds that a surplus fund should be placed in some unrelated and perfectly safe investment.

The Johnson County Grangers follow the advice of the Rochdale pioneers, and lay great stress on the value of the surplus fund in the success of a co-operative enterprise. It is the surplus fund that causes the warmest discussions in their association meetings. This recognition of its value is very much to their credit when we say that only once—at the time of the fire—has it ever been needed by them. The business year of the Association ends July 31st, and the accompanying table* shows that in the thirty-two years of its history, it has never failed to show net profits at any one of its 128 quarterly settlements. As is stated above in the rules, net profits are paid semi-annually, but are determined quarterly.

After 1 per cent of the net earnings is turned into the surplus fund and a 7 per cent dividend on stock is paid, rebates on purchases are made in proportion to the amount of purchases, non-members of the company receiving one-half the proportion of members. During the existence of the Association the rebates on purchases have varied considerably. The average variation is estimated to be from $3\frac{1}{2}$ to $7\frac{1}{2}$ per cent. Persons purchasing of the store who are not Grangers receive no share of the profits.

The method of securing a rebate is as follows: Five, ten, twenty-five and fifty-cent and one dollar metal checks, also five dollar and twenty-five dollar paper checks are issued, according to the amount of each purchase. As soon as five dollars in metal checks are secured they are to be exchanged for a five-dollar paper check. At the end of each quarter an inventory and audits are made, net profits are computed, 1 per cent is taken for the surplus fund, 7

*See appendix I

per cent goes to dividends on stock and the remainder is rebate on purchases, the apportionment of which is based on the amount of paper checks that have been issued during the quarter. At the beginning of each quarter paper checks to a certain amount are placed on file to be issued as called for. At the end of the quarter the amount of issue can be readily determined and this is used as the basis for determining the percent of rebate. Metal checks not converted to paper are to be carried over to the next quarter. At the end of its thirty-second year, July 31st, 1908, the store had, from its origin in 1876, made sales to the amount of \$7,226,003.44, and net profits of \$471,919.82.

Many co-operative enterprises in the United States have failed, but the success of the Johnson County Co-operative Association has been due to its conservative management. In this Mr. Livermore deserves much credit. He grew with the business and developed the capacity of seeing things in a large way. But a second and fully as important factor in its success has been in the close, wise and conservative supervision of the board of directors. A third strong factor is in the fact that it has been the policy of the Association to select a man for a position only on the basis of efficiency and never to elect more than one new director each year. The present officers and directors of the Association are as follows:

President—Mr. I. D. Hibner.

Secretary—Mr. George Black.

Directors—Messrs. Henry Rhodes, W. H. Zimmerman, J. W. Robinson, John Schraeder, Robert Baker, W. A. Gordan, J. T. Hastings, W. C. Brown.

Treasurer—Mr. C. V. Frey.

Business Manager—Mr. W. W. Frye.

The first five officers named have all been directors for the last fifteen years and some of them were charter members of the Association. Two other very important elements in the success of the Association are: (1) the policy of the surplus fund and (2) that of quarterly audits and settlements.

After having served for thirty years Mr. Livermore resigned as manager, on account of failing health. Mr. W. W. Frye, his successor, was an employee of the Association in a branch store for many years. He is thoroughly acquainted with the business, has succeeded in making money for himself in outside lines and has the full confidence of the Association. The Association now has thirty-eight employees in its central and branch stores. Its total invoice amounts to about \$140,000. It has never attempted any entrance into the wholesale business. It has provided in its rules for an educational fund, but this feature of the Rochdale plan has never been developed.

The co-operative store has been of great value not only to Grangers, but to all people of the community. As a proof of this the outside trade has always amounted to twice as much as the purchases of the stockholders of the Association. On the other hand it is argued by some that the Grange store has hurt the town. It is claimed that with its large capital and ease of securing loans in addition to its tendency to maintain low prices, that it has driven many private enterprises to the wall and has prevented others from locating in the town.

There are certain limits that determine the development of all forms of organization. The table above cited of sales, gross profits, expenses and net profits of the Association by quarters, from the time of its origin in 1876, to the end of its thirty-second year, on July 31st, 1908, will show that it reached its full development before the end of the first decade. Its rapid expansion during that time was in a large part due to the active opposition of Olathe merchants and to the resulting loyalty of the grangers and many other farmers to the Grange store. This active opposition has now ceased, and as a result Grangers freely patronize any store when in their opinion it is to their best interests to do so.

The cardinal principles of the success of this enterprise, the thoroughness with which these are understood and the high degree of socialization that has

developed as a result can best be illustrated by quoting at some length from an appendix, entitled, "Some Practical Suggestions," to a short history of the enterprise, written by Mr. George Black in 1900.* He says:

"It would be difficult to successfully conduct a co-operative enterprise of this kind for nearly a quarter of a century without at least its principal movers feeling convinced that they had learned something of those axioms and business principles which insure success and no doubt the reader will have some interest to know what, in our judgment, are those essential elements of successful co-operation.

"We believe that in the entire history of mercantile ventures in this country there have been more failures in co-operative than in non-co-operative stores when compared with the entire number of efforts by each business method. We think this is largely due to the fact that private investors, with a better knowledge of the essentials of success have generally secured more able management of the business, for when these invest in a mercantile venture they only hope to succeed by practicing the very latest and best business methods, while too often in co-operation a strange delusion seems to prevail that there is some magic or subtle charm in this mode of business that guides its movements and leads to favorable results. Let us once and for all dissuade our minds of such foolish nonsense.

"Money is simply money; it has no social consciousness of its own, no more than the axe, in the hands of the woodsman. It will do good work, if properly handled, or destructive work if mismanaged. Its owners may be one man or ten thousand, yet like causes will produce like results and success or failure depends upon the ability that directs its course.

"The founders of co-operation never undertook or thought of changing the fundamental laws of business methods; their sole aim being to equitably distribute profits and in productive enterprises to adjust labor so that the profits may be justly divided among those who create them, whether by hand or brain. In fact it is organized self-help by honest labor and honest trade. There seems, therefore, to be two essentials to co-operative success, viz., able management of the business, a community educated in co-operative methods. Of the former, sufficient has been said, for any man who is incapable of successfully conducting a business where his own capital to the amount of \$1,000 or \$100,000 is invested, is certain to fail if co-operators intrust in him with like amounts, and co-operative boards should be reasonably certain that they have a manager of good business ability or delay their investments till they can find one.

"As to the second feature we must remember that the strength of co-operation is in the diffusion of its shares of stock, binding the interests of the whole community together and thereby holding their united trade, but its weakness is that this same is the legislator, the lawmaker of the concern and though they may all be farmers or artisans, not one of them merchants, yet the business must be managed and governed by the rules they adopt.

"It may be true that in a multitude of councilors there is wisdom, and yet we would not want to accept the united council of a hundred farmers in directing a sea captain how to take his vessel to the South pole; nor a civil engineer how to bridge the Mississippi or tunnel Pike's Peak. Nor would we trust a hundred sea captains or engineers to tell us how to raise a crop, cattle or make hay. Yet the farmer and the artisan have always been close to the merchant, his dealings with them have been constant and it would require no great effort on his part to make himself familiar with the essentials of merchandising in a co-operative way, and the community that ignores this and attempts to co-operate, simply invites failure.

"For there must be some self-denial, some sacrifice. Selfishness must

*Article by Black, cited before. The appendix was written by Mr. I. D. Hibner.

be put aside. The individual must learn that his own interest is best served by equally looking after the interest of all the rest. A surplus fund must be established to protect the stock during the hard times, temporary losses and shrinkage of values. Reduction from real estate and fixtures must be made to meet wear and tear and a devotion to the business prevail that will hold the trade even when the enemy cuts prices and offers every allurements to break down the work. It requires some self-denial to do this, for humanity is selfish and the co-operative community must be educated to see that its own interests are best served by these sacrifices and self-denials.

"Cranks, enthusiasts, wild dreamers and position-seekers are the bane of co-operation. You will always have them to contend with, often honest, always aggressive; but capital is conservative and must be kept in conservative hands. It is not always easy to distinguish between a crank and one who is enthusiastically contending for some new but practical rule in business; but when lost go to Rochdale. Rochdale is standard and is always safe. The Rochdale Pioneers were the true pioneers in co-operation. Their rule regarding an educational fund, a surplus fund and a reduction fund, quarterly invoices and a reasonable interest on capital stock and a quarterly return of net dividends to the purchasers of goods in proportion to the amount purchased are the very fundamental principles of successful co-operation. Of these six principles the surplus fund and the return of dividends to the purchasers are paramount, for the former sustains the capital stock and the latter holds the trade. — — — In conclusion we would say that co-operation is not a thing of spontaneous growth, but like the crop in the field, you must continue its cultivation if you expect its continued development."

"The Patron's Co-Operative Bank of Olathe, Johnson County, Kansas"

In 1883 a man by the name of Harris failed in the only bank in Johnson county. In the failure the people of the county lost about \$80,000. By this time the Johnson County Co-operative Association had attained great success. The people had gained full confidence in co-operative enterprises. Thus the losses as a result of the failure easily determined the Patrons of Husbandry to organize a bank of their own.

The charter was secured June 7th, 1883. The bank was to be known as "The Patrons' Co-operative Bank of Kansas." The capital stock was to be \$75,000 and to be divided into 750 shares of \$100 each. This was to be confined to the ownership of Patrons of Husbandry and no patron was to hold more than ten shares. Each stockholder was to have one vote regardless of the number of shares to be held. The number of directors was to be nine. Those elected for the first year were as follows: W. P. Goode, Lenexa, Kansas; H. C. Livermore, George Black, Nathan Zimmerman and William Henry, Olathe, Kansas; W. H. Toothaker, Cedar Junction, Kansas; Thomas Hancock, Stanley, Kansas; James Robinson and David Hefflebower, Spring Hill, Kansas.

The bank started with only \$7,500 or 10 per cent of its authorized capital paid up. This was soon increased to \$15,000. Yearly earnings were added to this until the capital stock reached \$37,500. About this time the state banking law was passed and the bank reorganized with a paid up capital of \$50,000. Since reorganizing it has set aside a surplus fund of \$50,000. This, with the additional \$50,000 as a stockholders' liability, gives the bank a total of \$150,000 as a security for its depositors. After the railroads, the bank has come to be the heaviest tax-payer in the county.* Its stock sells at a premium of 300 per cent and is hard to secure at that. In considering

*Article on the bank clipped from an Olathe newspaper.

this fact it should be remembered that it can only be held by Grangers, anyone of whom cannot hold more than ten shares. Thus the stock is limited to a very restricted market.

The bank is purely a joint stock company. There has been a strong effort of late years among some of the stockholders to strike out the word "Co-operative" from its name. Notwithstanding the fact that the bank is not co-operative it is considered by the Grangers as the "pet" of their three organizations. Its stockholders (all Grangers) average about 166. It carries about 1,700 accounts. Ninety per cent of its business is with farmers and about 90 per cent of the Patrons of the community patronize the bank. On the other hand over one-half of its accounts are held by persons who are not patrons.** Its statement made November 28th, 1908, shows deposits amounting to \$480,000. No expressions of doubt were heard during the late panic as to its condition.

Thus the bank, though not co-operative, is a strong socializing force among the Grangers of Johnson County. It is in the hearts of the Grangers and is discussed in their Grange meetings constantly.

"The Patron's Fire and Tornado Association of the State of Kansas"

The idea of an insurance company for Grangers originated in Johnson County Grange meetings as a result of the success that had been attained in merchandising and in banking. The insurance statistics of Kansas convinced the Grangers that the old line rates on farm property averaging \$20 per \$1,000 for five years, were too high. They discovered that 50 per cent of the premiums paid never came back to the farmers. After considerable discussion it was concluded that a mutual Insurance Company could be organized within the Grange order and run strictly on the Rochdale plan.

An organization was formed at Olathe in 1889, as the result of a general meeting of Grangers, which had been called by eight or ten promoters of the scheme, among whom was Mr. I. D. Hibner. It was to be known as the "Patrons Fire and Tornado Association, of the State of Kansas." Its preamble is as follows: "Whereas, co-operation for mutual benefit and protection is one of the fundamental principles of the order of The Patrons of Husbandry, therefore we, as Patrons, believing that the present rates of insurance from loss by fire, lightning and tornado are higher than necessities require, do hereby pledge ourselves mutually to share each others losses in the manner hereinafter provided by the Articles of Association and by the by-laws of the Association and for the faithful performance of the conditions following, we do mutually pledge ourselves on our honor as men and Patrons," etc.

The important features of the Articles of the Association are as follows:

(1) "All persons becoming insured in this association must be and continue to be a Patron of Husbandry in good standing."

(2) To be an annual election from members of the association of a President, secretary, Treasurer, eight directors and two Auditors, to hold office for one year.

(3) Board of directors to have the general management and supervision of the business of the Association.

(4) Among other causes, the dues of the insured, in his subordinate Grange, being more than six months in arrears, or the non-payment of assessments as rules of the Association direct, may sever a member's connections with the Association.

The first officers elected were Mr. Robert Edgerton, president; Mr. I. D. Hibner, secretary; and Mr. Samuel McPherson, treasurer.

**Statements made by Mr. W. J. Rhoades, cashier of the bank.

In 1889 a special act of the state legislature was secured granting the Association the following privileges providing it remained within the order of The Patrons of Husbandry of the state:

- (1). It was excused from being subject to the Mutual Insurance statutes of the state and their requirements.
- (2) No indemnity fund was required.
- (3) The Association was relieved from all state expense.
- (4) No licenses for agents and solicitors, no expensive state examinations, state appropriations to the Fireman's fund or state reports were to be required.*

The Patron's Associations, at its origin promised to carry farm property for \$10 per thousand for five years, which is one-half the average old line rates for the state. It should at this point be re-emphasized that membership in the Association is open to Grangers of good standing, of the whole state.

A promise of \$50,000 of insurance risks was made when the organization was formed in the summer of 1889. The outlook at that time, however, was not at all favorable. The Paola Mutual had just failed and the Salina Mutual was then in the hands of a receiver. Finally \$35,000 in risks were secured and the directors bound themselves that in case of loss they would pay the deficit. The first policy was issued September 2nd, 1889.

The early growth of the Association was slow and uncertain, but by the end of the first decade it was firmly established. Mr. I. D. Hibner, who has been its secretary throughout its nineteen years of existence, continued to write policies by lamp light at his home in the country and was paid by the hour for his services. By 1900 one-half of his time was required, for which he received \$50 per month.

The increase of risks per annum for the first ten years was about \$100,000. During that time the policies averaged \$1,200 each. During these early years constant appeals were made by Secretary Hibner in the annual reports, to the Grangers of the state, to foster and receive the benefits of their own institution. He emphasized the fact that the Grange is the father of the Association; that the Association was created by the Grange and on it must depend.

Nearly all of the early records of the Association were burned with the store in 1903. The following is the report for the first decade, from December 31st, 1889, to December 31st, 1899:

Total number of policies written.....	1,975
Total number of policies in force December 31, 1899....	1,116
Total risk December 31, 1890 (end first year).....	\$ 218,000.00
Total risk December 31, 1899.....	1,435,025.00
Total risk in tornado Dec, 31, 1899.....	376,625.00
Total risk in fire and lightning, Dec. 31, 1899.....	1,058,400.00
Average risk carried for the decade.....	826,500.00
Total premium carried for the decade.....	11,436.26
Total assessment collected for the decade.....	9,123.
Total income from all sources.....	20,559.29
Total paid in losses	15,616.78
Total other expenses.....	3,033.16
Total expenditures for the decade.....	18,649.94
Total cash on hand Dec, 31, 1899.....	1,909.35
Average cost of each \$1,000 for the decade.....	22.56
Average cost of each \$1,000 for five years.....	11.23
Average annual income of risk.....	143,500.00
Per cent of total income paid on losses.....	83 per ct
Per cent of total income paid on all other expenses.....	17 per ct
Total number of losses.....	99

*From the Annual Report of the Association for 1907.

Total number of assessments (estimated at \$2,000 each	4
Total number of barns burned.....	14
Total number of barns damaged.....	10
Total number of houses burned.....	10
Total number of houses damaged.....	12
Total number of stock lost.....	49
Total of all other losses.....	4

It should be remembered that the promoters of the Association at its origin had promised to protect its patrons at one-half the cost in old line insurance, or at the rate of \$10 per thousand for five years. The average cost in the Patrons' association per thousand dollars of \$22.57 for the first decade includes the four assessments that were made. Thus the total average cost per thousand dollars for five years was \$11.23 cents. Notice should also be taken of the amounts and per cents paid on losses and on other expenses for the decade. These figures compared with similar ones in the old line companies explain in a large measure why the Patron's rates for the decade came so near to their ideal of \$10 per thousand for five years.

This success of the first decade firmly placed the Association on a secure foundation. In a large measure it is due to the wise and conservative management of Secretary Hibner. Other features permitting the low rates were in the facts that there were "no dividends, no big salaries, no high commissions, no expensive advertising, no legislative lobbying, no sub-agents' commissions nor elaborate city offices."*

In his report for 1900, Secretary Hibner says that "had our charges in premium been the same as joint stock companies, during the last decade, we would now have in our treasury in excess of what is now there, \$12,442 that we could pay as rebates to our patrons." In speaking of the Association he continues further to say that "to keep our money at home and in the pockets of our people until it is needed; to learn to do business for ourselves and to co-operate with each other and to avoid the speculations of corporated capital, etc., are lessons we have certainly already learned."||

The following table** shows: (1) The total risk; (2) The net gain in risk and (3) the amounts paid on losses by the Association from 1900 to 1907, inclusive:

Year	Total Risk	Net Gain in Risk	Paid on Losses
1901.....	(Records lost in fire.)		
1900.....	\$1,630,000.00	\$ 194,495.00	\$ 828.46
1902.....	2,141,810.00	284,800.00	1,781.93
1903.....	2,666,405.00	525,595.00	4,501.31
1904.....	3,275,105.00	608,700.00	3,213.62
1905.....	3,949,430.00	674,325.00	4,917.06
1906.....	4,967,370.00	1,017,940.00	8,254.63
1907.....	6,167,415.00	1,200,045.00	3,489.37

The following table shows the growth in policies and membership of the Association for the years 1900 to 1907, inclusive: ***

*Annual report of Secretary Hibner for 1898.

||Annual report of Secretary Hibner for 1898.

**Figures for this table were taken from the annual reports of the Association for the several years included.

***Figures for this table were taken from the annual reports of the Association for the several years included.

	No. Policies	Total No.	Net Gain	Total Mem-	Net Gain
Year	Written	In Force	In Policies	bership	in Mem- bership
1900.....	362	1,250	134	902	100
1901.....
1902.....	403	1,582	157	1,126	126
1903.....	589	1,881	299	1,341	215
1904.....	668	2,205	324	1,589	248
1905.....	731	2,551	346	1,872	283
1906.....	928	2,177	305
1907.....	1039	3,541	...	2,527	350

These figures show a healthy normal growth of the Association. It is no longer an experimental project, but is well established and is reaching large dimensions.

The following table shows the average cost of insurance in the Association, for the years 1900 to 1907 inclusive, on \$1,000 for one and for five years respectively: *

1900.....	\$.84	\$ 4.20
1901.....	1.84	9.20
1902.....	2.03	5.90
1903.....	2.39	11.95
1904.....	1.43	7.15
1905.....	2.00	10.00
1906.....	2.59	12.00
1907.....	1.32	6.60

This is a remarkable showing when we remember that the fathers of the Association promised to give its members protection at one-half the average old line rates. It has now been over nine years since the Association has made an assessment. The report for 1908 will show that the organization has saved its members about \$70,000.00 during the nineteen years of its existence by keeping them out of old line companies. If the \$70,000. is to be taken as an exact amount, \$57,588.00 of it has been saved since the year 1900.

The Association has always had solicitors for its business. At first these were any of its members and they were allowed to collect one dollar per policy as a fee. This was later changed by making the fee a part of the premium which was then paid back to the agent by the secretary. The Association now has one solicitor for each Grange in the state. These are appointed by the secretary through the board of directors. The total number of solicitors was about 100 for the year 1908. These are carefully watched and controlled by Secretary Hibner. They are members of the Grange in which they represent the Association and are thus well acquainted with local conditions. The secretary warns them from time to time of the danger of great moral hazards, also that partiality in the writing of policies is injurious to the Association in the end.

There are now (1908) over 7,000 Patrons of Husbandry in Kansas and the risks of the Insurance Association are being well scattered among these. It is this well established cheap insurance that the Association now offers that is bringing new members into the Grange. This in some respects is a good feature, in others it is bad. "The insurance company is environed by the Grange and can go forward only as the Grange opens the way." Secretary Hibner deplores the fact very much that the two institutions, the one, a business organization and the other a social order, are so linked together that if one should fail the other would be sure to go down with it. He recognizes the fact that many insurance companies have failed and that if this one ever

*Report of the Association for 1908, not yet published when these figures were taken.

*Secretary Hibner.

should fail it would be very detrimental to the Grange in Kansas, which in itself stands for so much more than insurance alone.

Like the Grange Store, the insurance Association has had to meet organized competition, but, differing from the store, the danger to the insurance company has remained constant since its first organization. Old line companies have constantly tried to turn on to the Patrons' Association risks that were full of moral hazards. This has been avoided and success has been attained for the Association as a result of keen and careful oversight and management of Secretary Hibner, whose services for the insurance company have been even more indispensable than was Mr. Livermore's for the store.

Mr. Hibner is now past 70. A successor is to be selected in 1909, who is to enter the secretary's office in order to prepare himself for the assumption of its duties. Old line companies have been saying: "Wait until Hibner is gone and you will see the Patron's Association go down." This is to be doubted, however, because of the fact that the Patrons in their thirty-two and one-half years of experience with the store and their nineteen years with the Insurance Association, have reached a degree of socialization that gives them full confidence in co-operation and a thorough knowledge of its essentials.

The present officers of the Patron's Fire and Tornado Association are as follows: Mr. H. Rhoades, Gardner, Kansas, president; Mr. I. D. Hibner, Olathe, secretary; Mr. A. L. Hunt, Olathe, treasurer. The directors are Mr. G. G. McConnell, Parker, Kansas; Mr. A. P. Reardon, McLouth, Kansas; Messrs. J. R. Robinson and W. C. Brown, Olathe, Kansas; Mr. E. W. Westgate, Manhattan, Kansas; Mr. J. C. Lovett, Bucyrus, Kansas; Mr. A. Detreich, Carbondale, Kansas, and Mr. T. Lincoln, Madison, Kansas.

"The Form, and the Effect of Co-Operation Among the Grangers of Johnson County"

In the Insurance Association, as in the store and in the bank, the policy has been to continue men in office on the basis of efficiency and never to make radical or violent changes. This conservative policy is thoroughly accepted and practiced by the Grangers of Johnson county. We find no expression among them of the attitude, that is commonly supposed to prevail among western farmers, in the democratic belief that a good thing should be passed around. In other words, the Grangers of Johnson County have learned, with Rochdale as a guide and by years of experience, principles of socialization, that most American communities do not appreciate. The reader will not fully realize this until he has spent some time in Grange meetings, in the association meetings, in the store itself, in the insurance office or in observing the feeling of brotherhood and the expression of a community interest that is conspicuous when one Johnson County Granger meets another.

There is one man among the Johnson County Grangers who, because of the many years of active service and the unselfish interest that he has taken, deserves special mention. This is Mr. George Black, who was secretary of the "Lone Elm Grange" in 1875, who secured the charter for the Johnson County Co-Operative Association, who has been secretary of this association since that time, who has been secretary of the Kansas State Grange for twenty-six years, who was elected master of the State Grange in 1906, and was re-elected in 1908. Mr. Black is a modest, good natured farmer, about 55 years of age, and of keen business ability. He understands the principles of co-operation thoroughly and has, during these many years been wisely using them in practice.

There is considerable truth in the statement that the Grange and its co-operative enterprises are doing for Johnson county, in a large measure, what President Roosevelt and his Rural Commission would like to see in all rural communities of the United States. There is one thing, however, that the Grangers themselves greatly deplore. In the early years of their Asso-

ciations, the social feature was quite prominent. That has now almost entirely ceased and the interests that now hold the Grangers together and stimulate further Grange organization are almost purely economic. These interests are the store, the bank and the Insurance Association. These are economic in character and are centralized in the sense that they interest all Grangers in the county. The eighteen different Granges in the county are local in organization and in influence.

Much of the energy spent in many of the interests and activities that the local Granges formerly possessed has now been transferred to the centralized, business organizations. On the other hand each local Grange possesses a certain degree of special activity because of the fact that it is a means of admittance to the benefits of the larger, centralized, economic organizations. It may be that the Insurance Association will in the future, play an important part in increasing the number of Granges and the Grange membership of the state of Kansas. At present many of the Grangers of Johnson county think that if the active social features, characteristic of the Grange in its early history, could now be rehabilitated, their organization would be ideal.

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"APPENDIX I"

A table of the sales, gross profits, expenses and net profits of the Johnson County Co-operative Association as determined by quarters, for the fiscal years of July 31st, 1876, to July 31st, 1908.*

Years	Quarters	Sales	Gross Profits	Expenses	Net Profits
1876-77	1	\$ 4,657.87	\$ 516.67	\$ 301.30	\$ 215.37
"	2	7,318.54	634.64	407.65	226.99
"	3	11,219.67	796.54	429.61	366.93
"	4	13,644.31	968.72	426.47	525.25
1877-78	5	16,044.23	1,176.54	544.52	632.02
"	6	15,553.70	1,272.77	618.82	653.95
"	7	16,219.77	1,306.25	700.45	605.80
"	8	21,359.62	1,465.09	818.60	646.49
1878-79	9	23,027.48	1,773.44	848.90	924.54
"	10	22,454.41	2,436.31	998.90	1,437.41
"	11	23,964.78	2,381.60	996.85	1,384.75
"	12	30,402.18	2,930.01	1,262.10	1,667.91
1879-80	13	36,279.32	3,228.88	1,221.15	2,007.73
"	14	43,756.45	5,964.26	1,610.39	4,353.87
"	15	36,997.57	4,661.45	1,681.63	2,979.82
"	16	41,388.20	4,148.22	1,806.50	2,341.72
1880-81	17	43,053.76	4,812.75	1,787.35	3,025.45
"	18	50,705.14	6,881.69	2,323.47	4,558.22
"	19	38,714.18	3,814.63	2,378.38	1,426.35
"	20	56,703.76	6,673.26	2,622.79	4,050.47

Year	Quarters	Sales	Gross Profits	Expenses	Net Profits
1881-82	21	56,982.15	7,995.14	2,684.89	5,310.25
"	22	64,793.75	8,735.19	3,126.53	5,608.66
"	23	58,573.74	6,303.71	3,262.97	3,040.74
"	24	62,761.24	6,941.26	3,535.65	3,405.60
1882-83	25	68,959.95	8,362.84	3,600.01	4,762.83
"	26	71,827.29	10,283.92	4,222.90	6,061.02
"	27	52,558.43	8,806.51	3,715.82	5,090.69
"	28	71,694.48	9,836.14	4,156.69	5,679.45
1883-84	29	65,332.71	7,498.01	3,656.68	3,841.33
"	30	68,088.49	9,051.13	4,174.21	4,876.92
"	31	60,210.76	8,007.41	3,990.73	4,016.71
"	32	73,667.56	10,805.43	4,406.05	6,399.40
1884-85	33	78,142.85	9,519.74	4,248.41	5,271.33
"	34	62,882.76	8,344.05	4,483.18	3,860.87
"	38	47,499.27	7,590.56	4,265.50	3,225.06
"	36	64,779.90	7,548.17	4,285.39	3,262.78
1885-86	37	68,462.84	8,416.72	3,777.46	3,639.32
"	38	58,186.58	8,478.74	4,184.56	4,294.18
"	39	42,849.36	6,965.43	3,797.30	3,168.13
"	40	51,156.03	6,203.48	3,774.60	2,428.88
1886-87	41	50,039.36	7,219.58	3,951.07	3,268.51
"	42	49,098.80	7,110.41	4,216.12	2,894.29
"	43	41,441.10	8,728.52	3,808.52	5,120.00
"	44	55,752.21	7,833.81	4,184.80	3,949.01
1887-88	45	62,750.05	9,766.03	3,869.48	5,898.55
"	46	59,244.14	8,927.23	4,183.39	4,743.84
"	47	47,405.96	7,405.70	3,814.70	3,191.00
"	48	63,101.79	8,424.47	3,765.69	4,658.58
1888-89	49	67,332.17	8,874.47	3,875.76	3,998.71
"	50	66,579.97	10,484.74	4,633.61	5,851.13
"	51	50,712.69	9,476.92	4,081.53	5,395.39
"	52	61,341.18	8,602.69	4,487.70	4,114.99
1889-90	53	64,150.95	10,220.81	3,873.05	6,347.76
"	54	57,842.78	9,064.94	4,569.22	4,495.72
"	55	45,813.39	8,563.33	3,851.93	4,711.40
"	56	60,678.57	8,489.23	4,809.64	3,679.59
1890-91	57	70,698.47	8,194.79	3,698.46	4,496.33
"	58	70,900.42	10,531.06	4,786.28	5,744.78
"	59	51,846.05	8,273.81	4,279.86	3,975.95
"	60	74,612.78	9,849.07	5,189.70	4,689.37
1891-92	61	78,426.29	10,724.95	4,218.87	6,506.08
"	62	68,553.07	10,682.94	4,744.43	5,938.51
"	63	63,707.83	8,827.14	4,150.22	4,676.92
"	64	56,346.80	8,580.87	5,071.37	3,509.50
1892-90	65	64,624.68	8,217.76	4,455.07	3,762.69
"	66	62,184.70	10,039.18	5,268.18	4,771.00
"	67	58,381.77	8,659.68	4,811.78	3,847.90
"	68	75,726.03	9,394.93	8,834.59	3,560.34
1893-94	69	60,784.25	9,190.30	4,616.80	4,573.50
"	70	65,477.22	9,230.03	5,729.21	3,500.82
"	71	51,708.20	7,864.03	4,760.49	3,103.54
"	72	55,509.44	9,088.22	5,427.60	3,660.62
1894-95	73	63,707.83	8,827.14	4,150.22	4,676.92
"	74	56,346.80	8,580.37	5,071.37	3,509.50
"	75	54,337.22	7,059.56	4,488.07	2,571.49
"	76	68,494.69	8,963.08	5,241.92	3,721.16
1895-96	77	71,493.75	8,358.68	4,027.13	4,331.55

Year	Quarters	Sales	Gross Profits	Expenses	Net Profits
"	78	52,315.69	7,529.88	4,902.64	2,627.24
"	79	51,340.40	7,203.74	4,344.44	2,859.30
"	80	55,991.79	7,639.78	5,131.81	2,507.97
1896-97	81	54,836.03	7,631.41	8,907.93	3,724.28
"	82	48,959.26	7,825.18	4,260.96	3,564.22
"	83	46,717.00	7,464.73	4,286.10	3,178.63
"	84	59,502.35	7,920.84	3,198.71	2,722.13
1897-98	85	63,990.02	8,671.48	4,011.61	4,659.87
"	86	54,704.86	8,554.83	4,862.65	3,692.18
"	87	50,479.74	7,450.91	4,314.15	3,136.76
"	88	65,058.40	9,720.75	5,336.53	4,564.22
1898-99	89	66,427.99	9,105.85	4,332.27	4,773.58
"	90	53,597.48	9,059.28	4,281.53	3,777.75
"	91	50,993.38	7,154.69	4,210.99	2,943.70
"	92	61,664.45	8,928.98	5,426.60	3,502.38
1899-1900	93	62,767.20	7,811.18	4,420.21	3,390.97
"	94	52,013.02	8,294.72	5,091.31	3,203.41
"	95	50,913.16	8,243.27	4,523.09	3,720.18
"	96	63,452.15	8,566.97	5,319.39	3,047.58
1900-01	97	68,538.25	8,410.48	4,466.64	3,943.84
"	98	63,244.12	8,959.11	5,206.44	3,752.67
"	99	61,967.81	8,193.70	4,657.66	3,536.04
"	100	66,781.49	8,201.00	4,554.63	3,646.37
1901-02	101	79,894.84	8,653.82	4,682.54	3,971.28
"	102	60,434.08	8,868.78	5,255.71	3,613.07
"	103	60,262.58	8,109.93	4,433.75	3,676.18
"	104	78,755.38	10,000.91	5,524.45	4,476.45
1902-03	105	91,075.71	9,720.98	4,860.14	4,860.84
"	106	70,653.35	9,606.43	5,792.26	3,814.17
"	107	67,336.32	8,772.54	4,751.34	4,021.20
"	108	82,790.88	9,593.58	5,882.39	3,811.19
1903-04	109	88,269.76	9,720.98	4,738.84	4,982.14
"	110	55,712.51	7,928.46	5,590.28	4,137.88
"	111	59,015.14	7,980.53	5,093.43	2,887.10
"	112	74,375.37	9,447.15	6,095.77	3,351.38
1904-05	113	76,095.05	8,928.43	5,207.45	3,720.96
"	114	64,864.66	8,468.08	5,874.22	2,595.86
"	115	63,180.85	7,899.96	5,044.90	2,855.06
"	116	74,801.49	10,114.20	5,768.06	4,346.14
1905-06	117	70,318.24	8,849.93	4,854.33	3,995.60
"	118	61,344.79	10,698.74	6,045.48	5,653.26
"	119	57,056.89	8,621.47	5,296.87	3,324.60
"	120	74,389.73	7,954.33	6,417.27	3,337.06
1906-07	121	66,413.47	9,266.29	4,956.64	4,309.61
"	122	58,501.70	10,260.14	5,658.32	4,601.82
"	123	56,347.79	8,420.37	4,607.48	3,812.89
"	124	63,700.49	9,158.42	5,690.81	3,467.55
1907-08	125	63,751.10	8,185.73	4,825.25	3,360.48
"	126	59,770.61	9,068.58	5,475.25	3,593.33
"	127	58,810.05	8,060.59	4,775.31	3,235.28
"	128	66,382.71	9,078.90	5,445.88	3,633.06
		\$7,226,003.44	\$996,449.00	\$523,529.08	\$471,919.82

*During its early history the Association transferred the ending of its fiscal year from July 27th to July 31st. The 128th quarter ended July 31st, 1908.

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